

Message Text

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TO AMEMBASSY BRUSSELS

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E.O. 11652: N/A

TAGS: EMIN, BE

SUBJECT: BELGIAN COBALT POWDER

REF: BRUSSELS 10513

1. SUMMARY. WASHINGTON VISIT OF SGM DIRECTOR GENERAL STRUMANS AND COLLEAGUES PROCEEDED SATISFACTORILY. PRINCIPAL VALUE LAY IN EXCHANGE OF THOUGHTS ON POSSIBLE FINANCIAL ASSISTANCE FOR SGM ULTRAFINE COBALT POWDER PLANT BEING CONSIDERED FOR U.S., WITH STRUMANS STRESSING EXTRA EXPENSE OF U.S. LOCATION AND GSA AND OTHER AGENCIES DESCRIBING LIMITATIONS ON USG ASSISTANCE CAPABILITIES. END SUMMARY.

2. STRUMANS, ACCOMPANIED BY ALFRED BLONDEL OF METALLURGIE HOBOKEN-OVERPELT, PIERRE VAN WEYENBERGH OF UNION MINIERE AND RALPH SORUM OF AFRICAN METALS, VISITED WASHINGTON OCTOBER 28 FOR DISCUSSIONS ON POSSIBLE CONSTRUCTION OF ULTRAFINE COBALT POWDER PLANT IN U.S. DURING VISIT, TEAM RECEIVED BY FPA ASSISTANT DIRECTOR FOR CIVIL CRISIS PREPAREDNESS, LAWRENCE Y. GOLDBERG (ACTING FOR FPA DIRECTOR BRAY), DEPUTY ASSISTANT SECRETARY OF COMMERCE FOR DOMESTIC COMMERCE, MURRAY S. UNCLASSIFIED

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SCUREMAN, AND ASSISTANT SECRETARY OF THE INTERIOR FOR ENERGY

AND MINERALS, WILLIAM L. FISHER. TEAM ALSO MET WITH LOWER LEVEL REPRESENTATIVES OF THOSE AGENCIES AND OF STATE, DEFENSE AND TREASURY.

3. STRUMANS SAID SGM HAD MADE DECISION TO STUDY FEASIBILITY OF SITING PLANT IN U.S. AND THAT VISIT HERE WAS ONE OF FIRST STEPS IN DETERMINING FEASIBILITY. THIS INVESTIGATION BEING MADE BECAUSE COMPANY THINKING OF INCREASING ITS POWDER CAPACITY BY 50 METRIC TONS PER MONTH TO SATISFY PROJECTED RISE IN DEMAND. COMPANY FACED WITH CHOICE BETWEEN BUILDING U.S. PLANT OR EXPANDING PRESENT BELGIAN FACILITY. LATTER SEEN BY STRUMANS AS PREFERABLE IF ONLY ECONOMIC FACTORS ALONE ARE CONSIDERED, SINCE U.S. PLANT WOULD COST 5 MILLION DOLLARS MINIMUM AND PROBABLY CLOSER TO 10 MILLION DOLLARS, WHILE MOST RECENT EXPANSION IN BELGIUM (IN 1973) COST ONLY HALF THAT MUCH. STRUMANS ALSO RECOGNIZED EXISTENCE OF STRATEGIC CONSIDERATIONS THAT FAVOR U.S. SITE; HOWEVER, HE STATED THAT UNLESS FINANCIAL ASSISTANCE FORTHCOMING, ADDITIONAL COSTS OF ANY U.S. PLANT WOULD PROBABLY HAVE TO BE FINANCED THROUGH WORLDWIDE PRICE INCREASE ON POWDER AMOUNTING TO ABOUT 3 PERCENT OVER 10 YEAR PERIOD.

4. AGENCIES' REPRESENTATIVES REVIEWED FEASIBILITY OF USG ASSISTANCE FOR SGM UNDER CONTROLLING FEDERAL LEGISLATION. FPA EXPLAINED NEED FOR CONGRESSIONAL APPROVALS AND LONG LEAD TIME INVOLVED IN USE OF FEDERAL FUNDS OR GUARANTEES. AT SAME TIME, COMMERCE AND OTHERS ADVISED STRUMANS TO INVESTIGATE INDIVIDUAL STATES AS POTENTIAL SOURCES OF AID.

5. STRUMANS DECLARED THAT HE PERSONALLY HAD "A TENDENCY TO BELIEVE" THAT BEST SOLUTION WAS TO BUILD PLANT IN U.S. AT CONCLUSION OF THE DISCUSSIONS, HE STATED THAT USG ASSISTANCE APPARENTLY NOT PRACTICAL ALTERNATIVE BECAUSE OF TIME NEEDED TO CARRY OUT REQUIRED BUREAUCRATIC PROCEDURES. HOWEVER, HE SAID SEVERAL TIMES THAT REPRESENTATIVES OF COMPANY WOULD RETURN HERE IN LATE NOVEMBER OR EARLY DECEMBER FOR ADDITIONAL TALKS AFTER CHECKING ON OTHER POSSIBLE SOURCES OF HELP. KISSINGER

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